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Senior Loan Officer Survey

on Business-Lending Practices in Canada

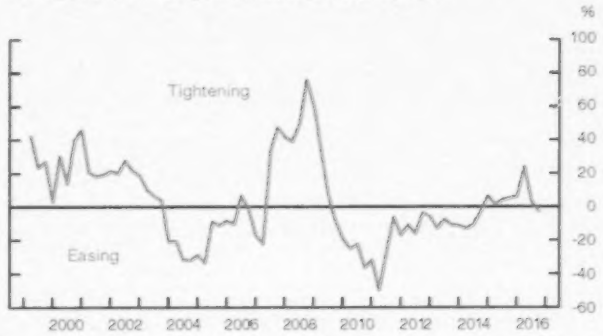
Results of the Fourth-Quarter 2016 Survey | Vol. 9.4 | 9 January 2017

This *Senior Loan Officer Survey* (SLOS) focused on changes to business-lending practices in the fourth quarter of 2016.

- Survey results suggest that overall business-lending conditions were essentially unchanged during the fourth quarter (**Chart 1**). This is the second consecutive quarter of unchanged lending conditions, following a period of tightening that began in the first quarter of 2015.[1]
- Non-price conditions eased slightly, while price conditions remained unchanged (**Chart 2**).[2]
- The easing in non-price lending conditions was noted, in particular, for commercial and small business borrowers in Ontario. It was mainly driven by increased competition among lenders.
- The overall demand for credit from small business and commercial borrowers decreased slightly in the fourth quarter. Demand from corporate borrowers was unchanged.
- Access to capital markets was generally unchanged for all grades of borrowers.

Chart 1: **Senior loan officers reported that overall lending conditions for Canadian non-financial firms were essentially unchanged...**

Overall business-lending conditions: Balance of opinion[a]



a. The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the price and non-price dimensions of lending conditions.

Chart 2: **... with non-price conditions easing slightly and price conditions remaining unchanged**

Price and non-price lending conditions: Balance of opinion[a]

a. The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

Note: Each series is the simple average of the balances of opinion for the small business, commercial and corporate sectors.

1 Note that the balance of opinion suggests only the direction of the net change in lending conditions; it does not provide information on the magnitude of the change.

2 The SLOS defines the pricing of credit as spreads over base rates rather than as the level of rates.

The *Senior Loan Officer Survey* collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. This survey was conducted between 5 and 9 December 2016. Additional information on the survey is available on the Bank of Canada's website.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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